SOLOMON ISLANDS

What’s happening in this economy

Solomon Islands’ population (614,000) creates challenges for infrastructure and service delivery. It is small but spread across nearly 1000 islands, of which over 300 are populated, with 80 per cent of the population living in rural areas. Solomon Islands has 63 distinct languages, with numerous local dialects.

Solomon Islands faces challenges providing employment opportunities for a growing youth population. Currently around 70 per cent of the population is aged 34 or under.

Using active contributions to the National Provident Fund as a proxy indicator, there are approximately 56,000 people engaged in formal employment in Solomon Islands.

The economy is heavily weighted towards natural resources. Mining could provide significant revenue but ongoing issues with governance remain a barrier.

Tourism is underdeveloped and needs substantial investment.

Australia and Solomon Islands are both parties to the Pacific Agreement on Closer Economic Relations Plus (PACER Plus), which is not yet in force.

The government is preparing for Solomon Islands’ graduation from Least Developed Country Status. This will affect the country’s tuna and palm oil exports, which currently receive duty and quota-free access to many international markets including the EU and USA.

Solomon Islands is the third largest recipient of Australian aid after PNG and Indonesia. In 2017–18, Australia’s development program in Solomon Islands is estimated to be AUD 142.2 million (approximately 19 per cent of GDP in 2017).

Trade, investment and commercial opportunities and activities

- Australian companies present in Solomon Islands are engaged in sectors including:
  - banking,
  - mining,
  - shipping,
  - logistics,
  - tourism,
Key Australian companies participating in Solomon Islands include:
- ANZ Bank
- SolRais (a wholly owned subsidiary of SunRice), and
- Kokonut Pacific (whose local joint venture partner is Kokonut Pacific Solomon Islands).

Solomon Islands Prime Minister, Hon Rick Hou MP, announced his ambition to have 10,000 Solomon Islands’ workers engaged in labour mobility programs every year:
- Solomon Islands’ participation in the Seasonal Worker Program has been slow to date but is growing. Participation in the program doubled in 2017–18
- Solomon Islands has signed on to the Pacific Labour Scheme, which enables Solomon Islands’ workers to take up low and semi-skilled work opportunities in rural and regional Australia for up to three years
- workers earn income and develop skills, which benefits their families and communities, and
- the scheme helps fill labour gaps in Australia’s towns and farms, boosting economic activity and competitiveness in rural and regional Australia.

Exports are heavily concentrated in logs, tuna and palm oil, which are susceptible to natural disasters and external price shocks:
- log exports account for 67 per cent of Solomon Islands’ total exports and make up 27 per cent of GDP.

Solomon Islands is widely considered to have relatively untapped tourism potential, but this requires significant support:
- at less than 5 per cent of GDP at present, even a rapid growth in the tourism industry will not be sufficient to mitigate a substantial showdown in the logging sector.

Mining is seen as a potential key driver of growth:
- the Solomon Islands Government has limited experience in managing a minerals-based economy and the only legal operating mines a small number of low-technology bauxite operations
- gold on Guadalcanal and nickel in Isabel present the best prospects for early production in large quantities
- The Australian Government is working with the World Bank on mining legislative reform, and is supporting efforts by linking progress in the sector to budget support payments.

Major initiatives to capitalise on include the:
- Coral Sea Cable System and Solomon Islands Domestic Network,
- Tina River Hydropower Project,
- Gizo Market Redevelopment,
- Solomon Islands Annual Cocoa and Chocolate Week Festival,
- Australia–Solomon Islands Business Forum, and
Trade policy and negotiations

Solomon Islands is a signatory to the PACER Plus agreement and is working through domestic processes towards ratification. The country has also been a member of the WTO since 1996, and the General Agreement on Tariffs and Trade since 1994.

Solomon Islands is a member of the South Pacific Regional Trade and Economic Cooperation Agreement. It is currently in negotiations with the European Union to join to the interim Economic Partnership Arrangement.

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.